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GOVERNOR

STATE OF MICHIGAN
OFFICE OF FINANCIAL AND INSURANCE SERVICES
DEPARTMENT OF LABOR & ECONOMIC GROWTH
DAVID C. HOLLISTER, DIRECTOR

LINDA A. WATTERS
COMMISSIONER

BILL ANALYSIS

BILL NUMBER: House Bill 5332 (as introduced)
TOPIC: Property & Casualty Merchandise as Gifts
SPONSOR: Representative Richard Ball
CO-SPONSORS: Rep. Hune
COMMITTEE: Committee on Insurance
Analysis Done: October 20, 2005

POSITION

The Office of Financial and Insurance Services supports this legislation.

PROBLEM/BACKGROUND

Sections 2024, 2066, and 2070 of the Insurance Code prohibit an insurer from providing anything of value as an inducement to the purchase of insurance, but Section 2024a clarifies that those sections shall not be construed to prohibit a life insurer or life insurance agent from giving to each applicant for a life insurance policy an article of merchandise having an invoice value of \$5.00 or less. No similar clarification exists in current law for property and casualty insurance.

DESCRIPTION OF BILL

The proposed legislation clarifies that Sections 2024, 2066, and 2070 shall not be construed to prohibit a property casualty insurer or insurance agent from giving to each applicant for a property casualty insurance policy an article of merchandise having an invoice value of \$10.00 or less.

SUMMARY OF ARGUMENTS

Pro

The new language will establish a threshold for what constitutes anything of value for property casualty insurance, in a manner similar to that used in the life insurance industry. The new language will clarify the de minimus amount allowed for such purposes in the rebating language of the Insurance Code for all parties.

industry. The new language will clarify the de minimus amount allowed for such purposes in the rebating language of the Insurance Code for all parties. If a company or producer provides merchandise with the value of \$10.00 or less, the assumption can be made that the statute allows this amount and it will not be considered an inducement for purchase of insurance coverage.

Con

None known.

FISCAL/ECONOMIC IMPACT

OFIS has identified the following revenue or budgetary implications in the bill as follows:

(a) To the Office of Financial and Insurance Services: None

Budgetary:
Revenue:
Comments:

(b) To the Department of Labor and Economic Growth: None

Budgetary:
Revenue:
Comments:

(c) To the State of Michigan: None

Budgetary:
Revenue:
Comments:

(d) To Local Governments within this State: None

Comments:

OTHER STATE DEPARTMENTS

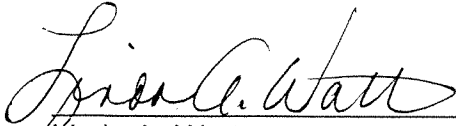
None known.

ANY OTHER PERTINENT INFORMATION

None

ADMINISTRATIVE RULES IMPACT

The OFIS has general rulemaking authority under the Insurance Code of 1956, 1956 PA 218.

A handwritten signature in cursive script, appearing to read "Linda A. Watters", written over a horizontal line.

Linda A. Watters
Commissioner

10-20-05

Date